



Investor Presentation

2009 Results

PROVEN QUALITY. LEADING TECHNOLOGY.



Safe Harbor

Today's presentation includes forward-looking statements that reflect management's current expectations about the Company's future business and financial performance.

These statements are subject to certain risks and uncertainties that could cause actual results to differ from anticipated results.

Factors that could cause actual results to differ from anticipated results are identified in Part 1, Item 1A of, and Exhibit 99 to, the Company's 2009 Form 10-K.



Business Overview

- Graco manufactures equipment to pump, meter, mix and dispense a wide variety of fluids
 - We specialize in difficult to handle materials with high viscosities, and
 - Abrasive or corrosive properties, and
 - Multiple component materials that require precise ratio control
- We are global, with more than 40% of our sales coming from outside the Americas
- We sell primarily through independent 3rd party distributors - approximately 30,000 outlets worldwide
- Parts and accessories account for approximately 40% of our annual revenue

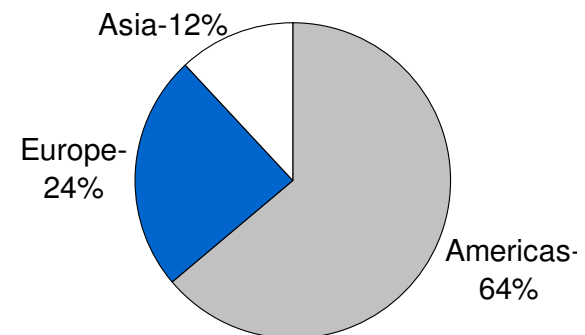


Contractor Equipment

Market Dynamics

- Graco served market is approximately \$450 - \$500M
- Major end-markets include new residential construction, commercial construction, remodel and repaint
- Applications include painting, texture, fine finish, cleaning, and pavement maintenance
- Channel includes paint retailers, equipment houses and rental centers
- Wagner is the most significant worldwide competitor

2009 Sales - \$208M





2010 Contractor Equipment Product Line

PAINT ELECTRIC



ENTRY LEVEL/DIY



GAS



HAND-HELD



HYDRAULIC



FINE FINISH



PRESSURE WASHERS



TEXTURE/HEAVY COATINGS SPRAYERS



ROOF RIGS



PAVEMENT/TURF LINE STRIPERS



SCARIFIERS



RIDE-ON UNITS



FIELD STRIPER



ROAD STRIPER



PRODUCT ACCESSORIES

AIRLESS GUNS



FINE FINISH GUNS



TEXTURE GUNS



HOSE



TIPS



FLUIDS



EXTENDED REACH ACCESSORIES



PRESSURE ROLLERS



For a complete listing of all our accessories visit our web site or ask your distributor for the latest product brochure.



Contractor Equipment

Growth Opportunities

- Conversion of end users from manual application methods to equipment is a major focus outside North America
 - In Europe and Asia, spray equipment penetration is less than 40% in developed countries and less than 10% in developing countries
- Application of texture and cementitious materials
- Entry level product & channel expansion
- Expanding pavement maintenance product line & channel

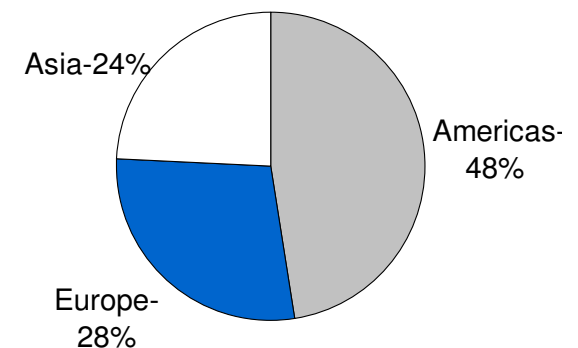


Industrial Equipment

Market Dynamics

- Graco served market is approximately \$2.0B worldwide
 - Liquid Finishing and Process Equipment \$900M
 - Sealant and Adhesive \$600M
 - Protective Coatings, Foam and In-Plant Polyurethane \$500M
- Products sold through independent 3rd party value adding distributors
- End users require equipment “solutions” vs. product in a box
- End user purchases are ROI driven
- Likelihood of new entrants low in certain markets, rational competitors including ITW, Exel, IDEX, IR, Dover and Wagner
- Strong Graco brand name and large installed base

2009 Sales - \$313M



Industrial Equipment

Growth Opportunities

- Expand internationally
 - Industrialization and wage inflation in developing markets
 - Factory relocations to low-cost geographies
- Enter new adjacent markets
 - Sanitary
 - Composites
 - Alternative energy
- Capitalize on material changes
 - High performance multiple component materials
 - Low - or no - VOC coatings
 - “Green” initiatives
- Develop new products
 - Integration of equipment with factory data and control systems
 - Reduce energy consumption
 - Expand offering and fill gaps
- Acquisitions

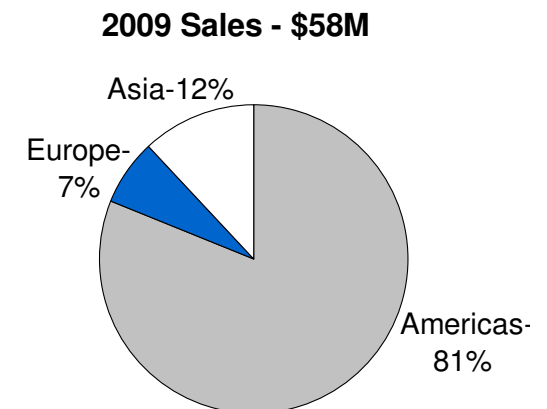




Lubrication Equipment

Market Dynamics

- Worldwide Lubrication Equipment market is approximately \$1.1B worldwide
 - Vehicle Service Equipment - \$400M
 - Industrial Lubrication Equipment - \$700M
- Products sold through independent 3rd party distributors, through oil jobbers and direct to OEM's
- Entrenched, stable competition in each market segment
- Major competitors include Lincoln, Vogel, BEKA, Samoa

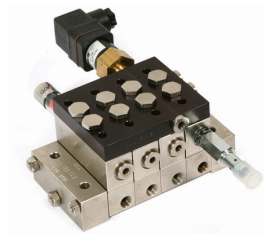


Lubrication Equipment

Growth Opportunities

- Expand internationally
 - Historical investment and focus has been U.S.
 - Implemented specialized selling organization in Europe in 2009
 - Developing products to meet local market needs
 - Building channel

- Industrial lubrication market
 - Entered via small acquisitions
 - Expanding product offering and improving cost position





Targeting Growth with New Products

- Invested nearly \$38M in product development in 2009
 - 6.5% of revenue
- Targeting 30% of sales from products developed in the last 3 years
 - 2009 was 26%
- Increased emphasis on expanding product offering into new markets

New Product Example: Graco HFR™ Metering System

- Versatile, precision-controlled, fixed ratio meter, mix and dispense system
 - Handles a variety of two-component materials
 - Polyurethane foams, polyurethane elastomers, epoxies, silicones and polyureas

Markets Served

- Automotive, construction, recreation, solar, medical, electronics, refrigeration and more



New Product Example: Diaphragm Pumps

- 30% more energy efficient than leading competitors
- 20% increase in fluid flow compared to current offering
- Expanded line for a wider range of applications/chemicals

Markets Served

- Process and General Industry



New Product Example: Pro Cordless Sprayer

- Breakthrough technology delivers professional airless quality spray in a hand held cordless tool

Markets Served

- Professional Painting Contractor - worldwide



Targeting Growth Through Global Expansion

- Added 1370 distribution outlets in 2009
 - 350 in Europe, 200 in Asia/Latin America



Targeting Growth through Channel Expansion

- Expanded entry level spray equipment channel
 - Entry level product stocked in more than 5,000 U.S. retail locations





Targeting Growth in New Markets

- Pavement Maintenance
- Alternative Energy
- Composites
- Industrial Lubrication
- Sanitary

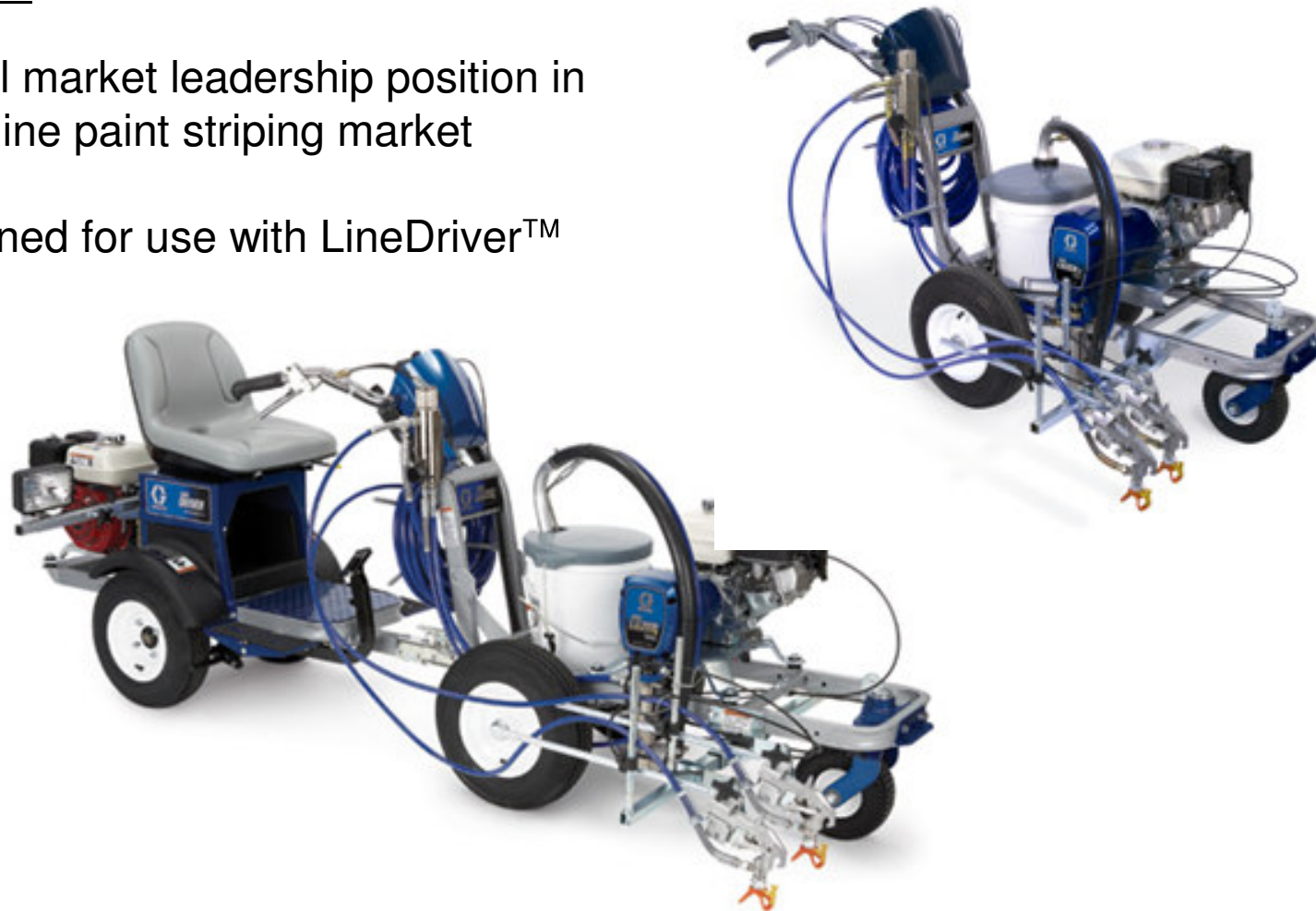
GLASCRAFT®
COMPOSITES EQUIPMENT BY GRACO



Example: Existing Market – Line Striping - Paint

LineLazer™

- Global market leadership position in short line paint striping market
- Designed for use with LineDriver™





Example: New Market – Line Striping - Thermoplastic

ThermoLazer™

- 100% incremental launched 2H 2009
- Leverages existing LineDriver™ platform



Example: New Market – Line Removal

GrindLazer™

- 100% incremental launched Q1 2010
- Leverages existing LineDriver™ platform





Graco Manufacturing

- Aligned with divisions, co-located with product development to speed new product development and improve initial launch cost and quality
- Measured on annual cost change and expected to achieve zero or better year-to-year total cost change
 - Graco has been on the Lean journey for 20 years
 - Our approach is focused on total cost, not inventory turns
- Cost-To-Produce is a unique tool Graco has developed to measure progress on cost reduction
- Primarily U.S. based, with strategic capabilities in Europe and Asia
 - Sourcing is global



Financial Summary

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Fourth Quarter 2009 Results

- Sales for the quarter down 12 percent from last year, but steady compared to third quarter this year
- Sales were down in all segments; regionally, sales were down in the Americas and Europe, but up in Asia Pacific
- Fourth quarter gross profit margin of 53 percent was above last year as effects of low production levels were more than offset by cost reduction actions, material costs, and pricing
- Operating expenses were down 19 percent due to effects of cost and workforce reductions and volume, partially offset by increases in pension expense
- Backlogs increased \$8M from the end of prior quarter
- Net earnings increased 71 percent and diluted EPS at 28 cents were up 65 percent



Financial Results

(\$ Millions except EPS)	4th Quarter		<u>Change</u>
	<u>2009</u>	<u>2008</u>	
Sales	\$ 146.3	\$ 166.7	(12%)
Gross Profit Rate	52.9%	48.8%	
Operating Expenses	53.6	66.0	(19%)
Operating Earnings	23.7	15.4	54%
Net Earnings	\$ 17.2	\$ 10.1	71%
Earnings Per Share	\$ 0.28	\$ 0.17	65%



Summary – 2009

- Sales down 29%
 - Asia the strongest, down 17% with flat contractor sales
 - Americas down 28%, all segments
 - Europe down 39%, all segments (down 35% at consistent exchange rates)

- Gross margin – 51%

- Operating profit margin – 13%

- Earnings per share down 59%

- \$100 million debt payments



Financial Results

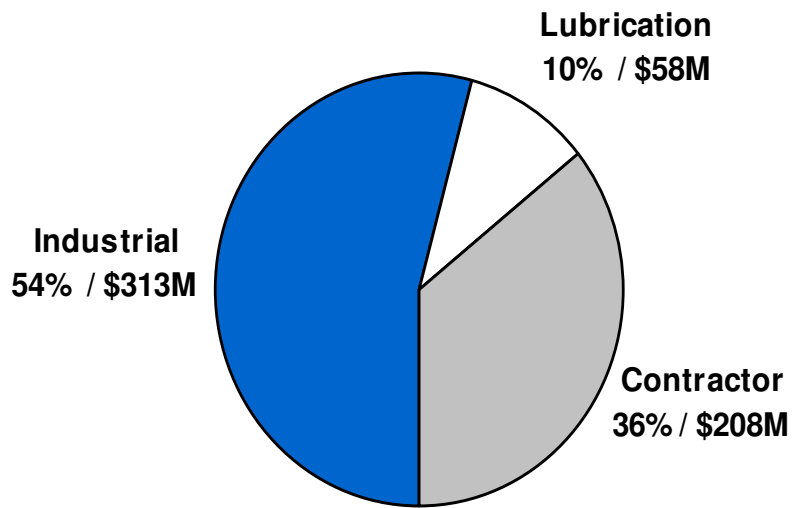
(\$ Millions except EPS)	Full Year		Change
	2009	2008	
Sales	\$579.2	\$817.3	(29%)
Gross Profit Rate	50.6%	52.9%	
Operating Expenses	218.3	244.8	(11%)
Operating Earnings	74.5	187.4	(60%)
Net Earnings	\$ 49.0	\$ 120.9	(59%)
Earnings Per Share	\$ 0.81	\$ 1.99	(59%)

2009 – Full Year of Sales

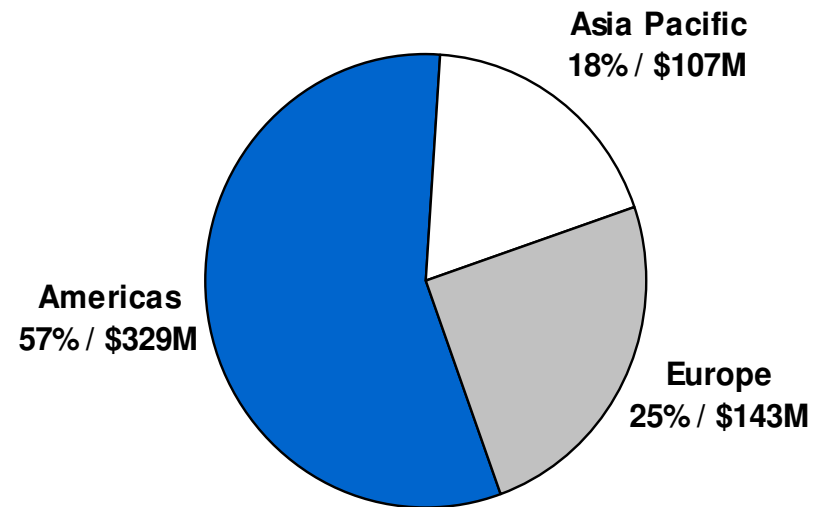


\$579M

Segment



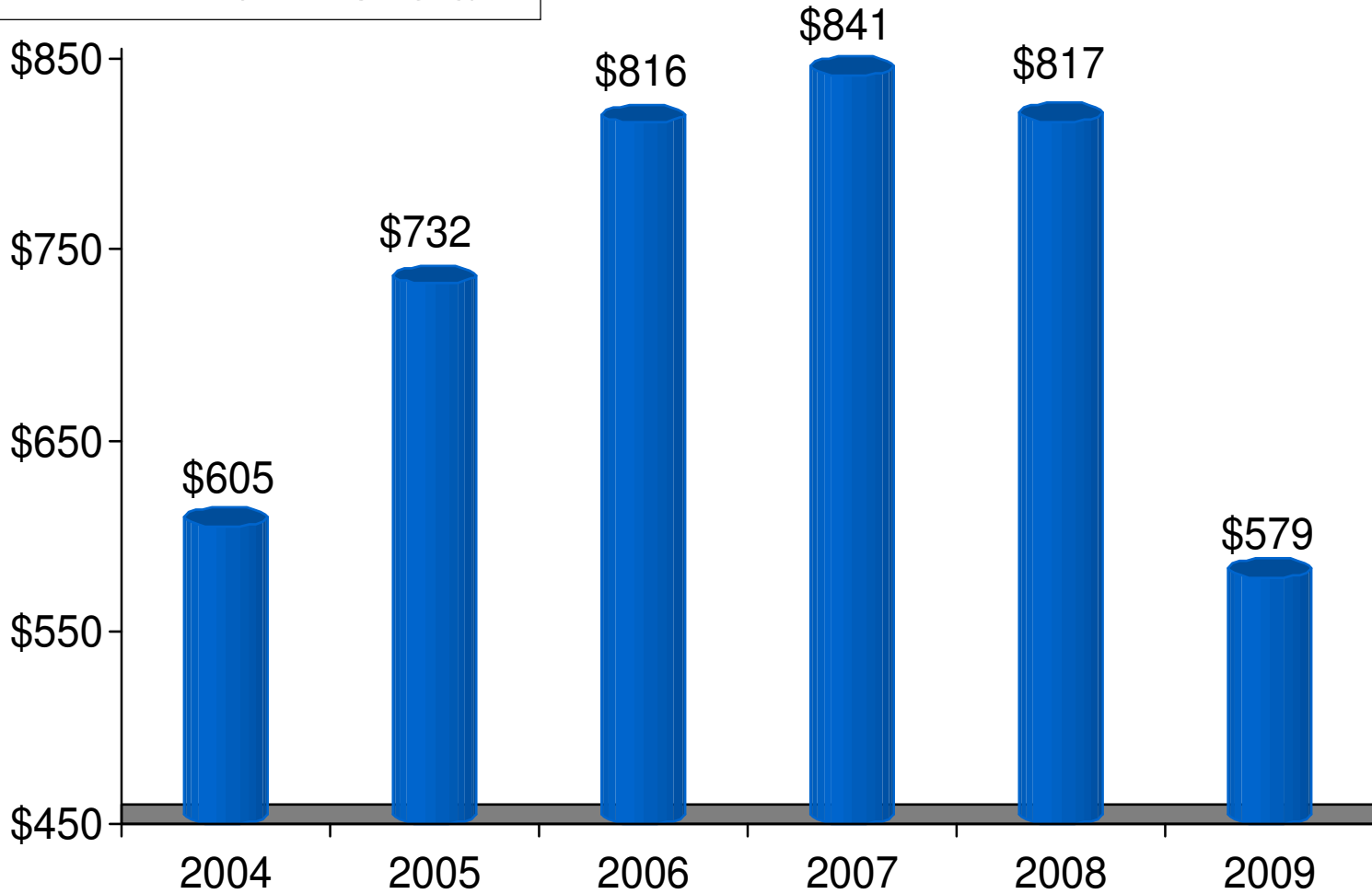
Geography





Annual Sales (\$ Millions)

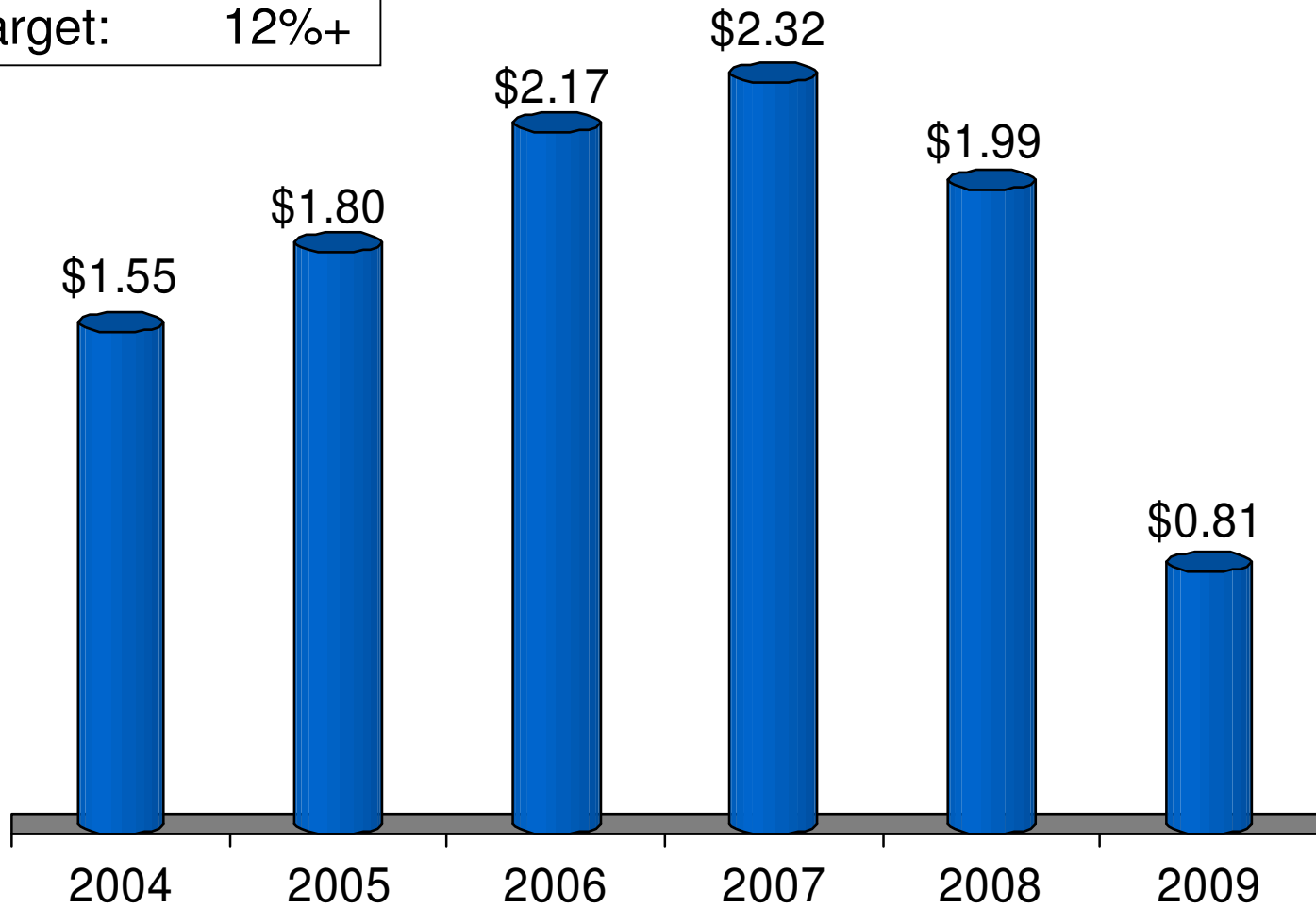
Target: 6-7% Organic
10%+ Overall





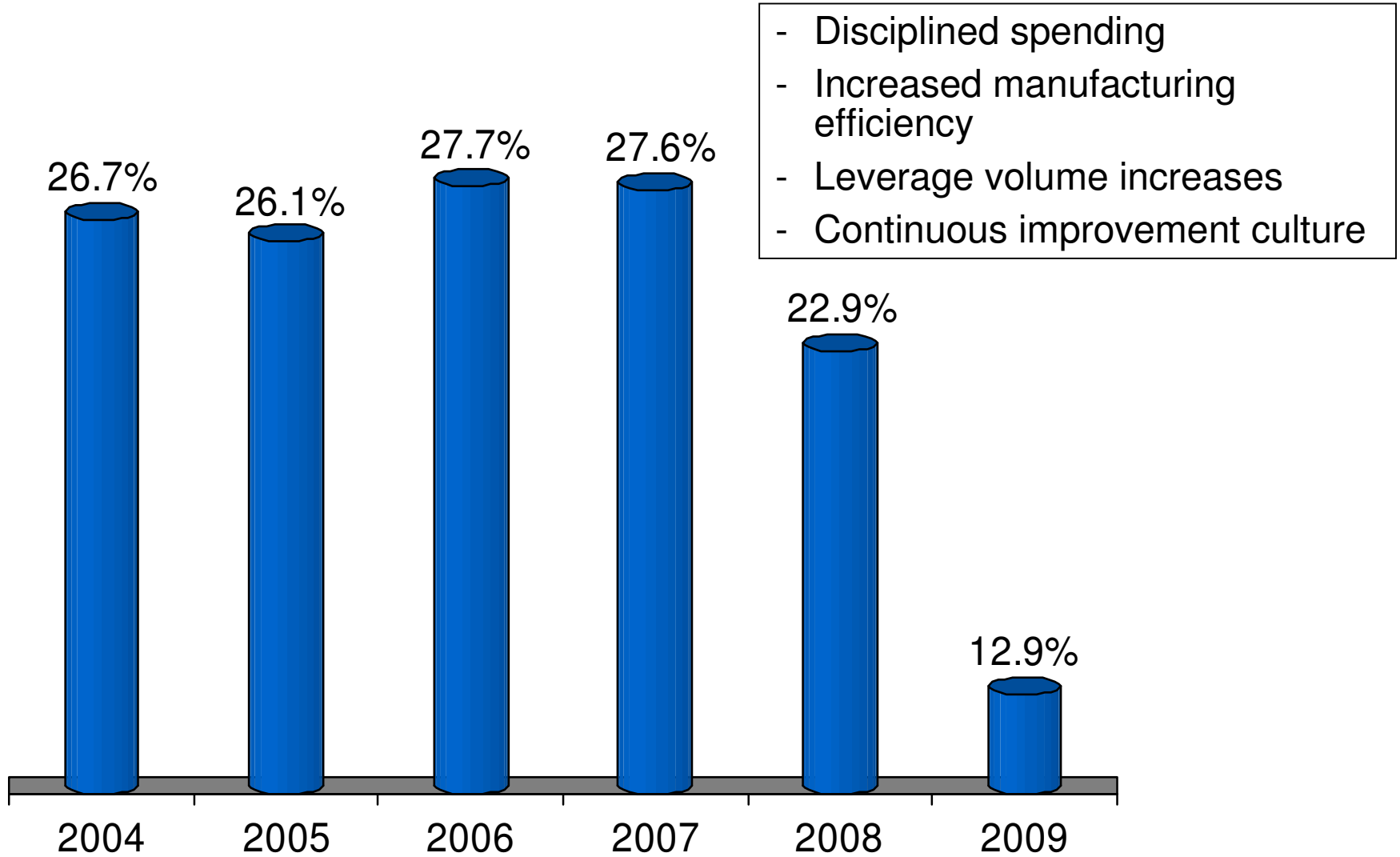
Earnings Per Share

Target: 12%+





Operating Margin





Strong Cash Generation

(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Operating Cash Flows	\$ 147	\$ 162	\$ 177	\$ 156	\$ 153	\$ 123
% of Net Income	300%	134%	116%	104%	121%	113%
Capital Expenditures	<u>11</u>	<u>27</u>	<u>37</u>	<u>34</u>	<u>20</u>	<u>17</u>
Free Cash Flow	<u>\$ 136</u>	<u>\$ 135</u>	<u>\$ 140</u>	<u>\$ 122</u>	<u>\$ 133</u>	<u>\$ 106</u>
Dividends	\$ 45	\$ 45	\$ 43	\$ 39	\$ 36	\$ 130
Acquisitions	-	55	-	31	111	-
Share Repurchases *	<u>(6)</u>	<u>101</u>	<u>206</u>	<u>76</u>	<u>32</u>	<u>26</u>
	<u>\$ 39</u>	<u>\$ 201</u>	<u>\$ 249</u>	<u>\$ 146</u>	<u>\$ 179</u>	<u>\$ 156</u>

* Net of shares issued



Leverage

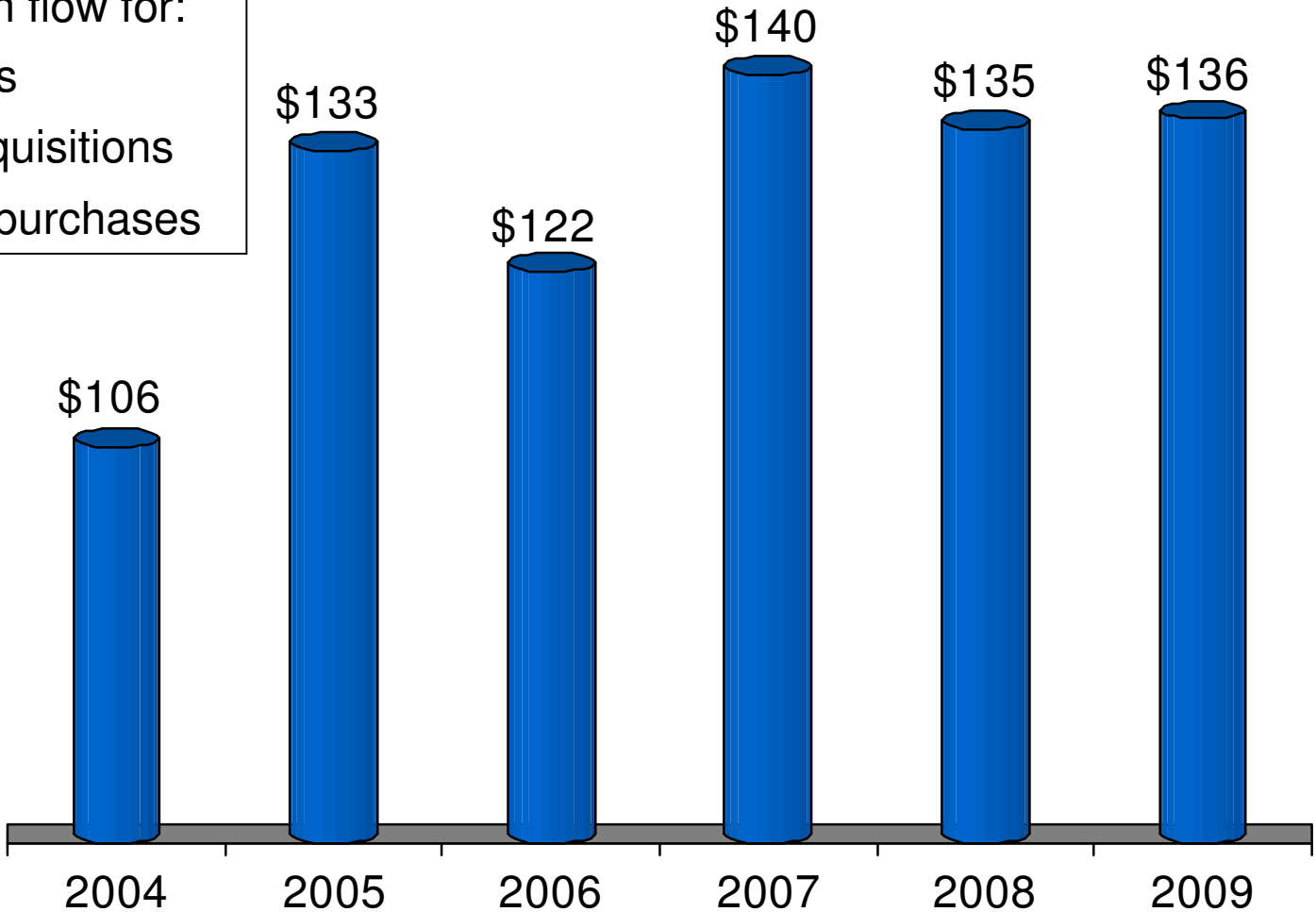
(\$ Millions)	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
EBITDA	\$ 109	\$ 222	\$ 261	\$ 252	\$ 213	\$ 179
Debt, Net of Cash	\$ 93	\$ 186	\$ 121	\$ 12	\$ (10)	\$ (55)
Debt to EBITDA	85%	84%	46%	5%	-	-
Operating Earnings	\$ 74	\$ 187	\$ 232	\$ 226	\$ 191	\$ 162
Interest Expense	\$ 5	\$ 8	\$ 3	\$ 1	\$ 1	\$ 0.5



Free Cash Flow (\$ Millions)

Strong cash flow for:

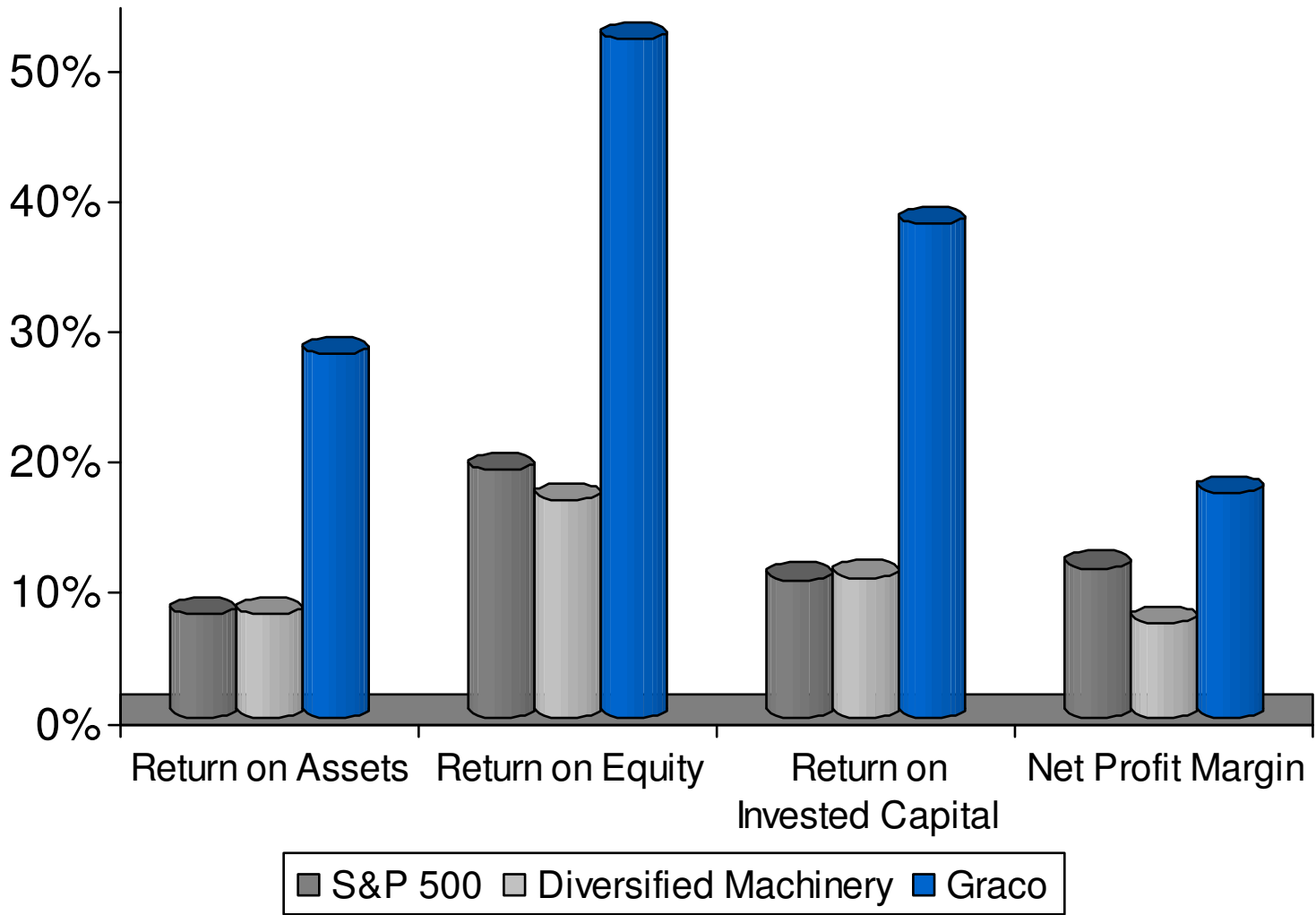
- Dividends
- Cash acquisitions
- Share repurchases



Cash provided by operating activities less property, plant and equipment additions plus proceeds from sale of property



Capital Efficiency – 5 Year Average



Source: Interactive Data, 2010 Thomson Reuters



Cash Deployment Priorities

Organic Growth Investments →

- International footprint
- Product development
- Production capacity & capabilities

Acquisitions →

- Supplement to organic growth
- Leverage our strengths

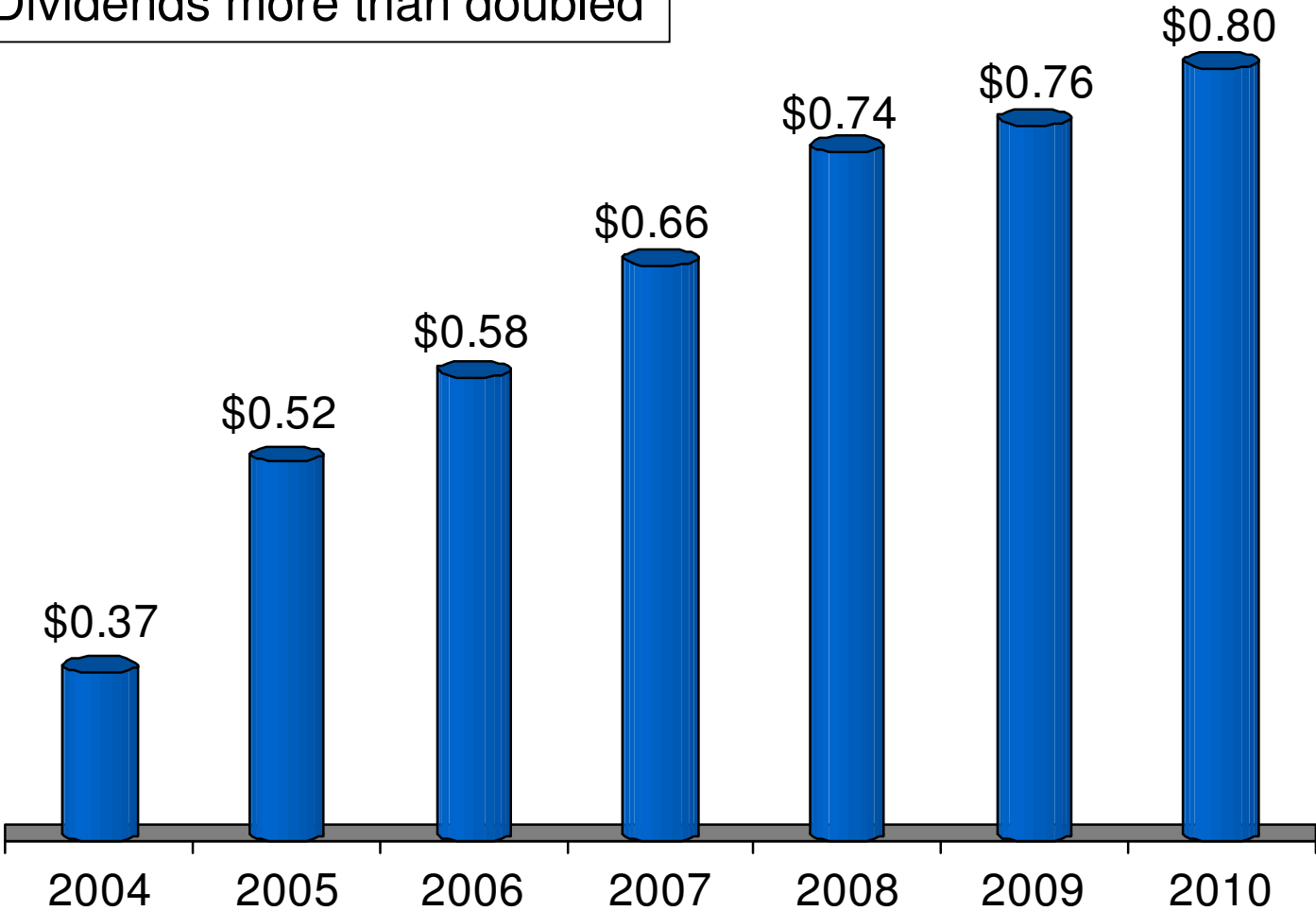
Dividends/Share Repurchase →

- Dividend payout ratio 25-30%
- 6 million authorized share repurchase - 10% of outstanding shares approved September 2009



Annual Dividend Growth

- Dividends more than doubled



Note: Annual dividends paid, excludes special dividend of \$1.50 paid in 2004



Key Investment Attributes

- Leading market positions
- Serves niche markets where customers are willing to purchase quality, technology-based products
- Products perform critical functions
- Consistent investments in capital and growth initiatives
- Shareholder-minded management
- Financial strength



Move

Measure

Control

Dispense

Spray



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